

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BEAVER-ELKHORN WATER)	
DISTRICT FOR (1) CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY - CONSTRUCTION -)	
PHASE III WATER LINE EXTENSIONS PURSUANT)	
TO KRS 278.010 (1); (2) AUTHORIZATION OF)	CASE NO.
BORROWING FROM THE COMMONWEALTH OF KENTUCKY,)	95-200
KENTUCKY INFRASTRUCTURE AUTHORITY WATER)	
RESOURCES LOAN FUND - PHASE III PURSUANT TO)	
KRS 278.300 AND GRANT OF \$600,000 AND FROM)	
ABANDONED MINE LAND - \$540,000; (3) AUTHORITY)	
TO INCREASE RATES PURSUANT TO 807 KAR 5:001;)	
SECTION 10; AND (4) APPROVAL OF REVISED TARIFF)	

O R D E R

Beaver-Elkhorn Water District ("Beaver-Elkhorn") filed its application on June 13, 1995 for a Certificate of Public Convenience and Necessity to construct a \$4,349,011 waterworks improvement project, for approval of financing, and for an adjustment to its retail rates. This project will extend water to 747 additional customers and make water distribution system improvements as well as provide additional water storage capacity. Funding for the proposed project includes a \$2,847,807 loan from the Kentucky Infrastructure Authority ("KIA"), a \$600,000 KIA grant and a \$901,204 Abandoned Mine Lands ("AML") Grant from the Natural Resources and Environmental Protection Cabinet.

Beaver-Elkhorn now moves for an Interim Order which grants a Certificate of Public Convenience and Necessity for the proposed construction.

This Order will address the construction and financing portion of the application. By subsequent Order in this case, the Commission will address the rates necessary to provide the utility with an opportunity to recover its reasonable operating costs, service its debt, and provide a reasonable surplus for equity growth.

After review of the evidence of the record and being otherwise sufficiently advised, the Commission finds that:

1. Beaver-Elkhorn proposes to construct water main replacements, water main extensions, 3 pump stations, and 3 water storage tanks to be located at Floyd County, Kentucky.

2. Drawings and specifications for the proposed construction were prepared by Howard K. Bell Consulting Engineers, Inc. ("Engineer") and have been approved by the Division of Water, Kentucky Natural Resources and Environmental Protection Cabinet.

3. The Engineer has provided information which indicates that reliable and adequate service can be provided in the proposed project area. However this information also indicates that low pressure may be experienced in areas of the existing distribution system. As a result of this information, Beaver-Elkhorn has contracted with the Engineer to analyze the low pressure areas and identify potential solutions.

4. Beaver-Elkhorn should file a copy of the Engineer's report as outlined in Finding 3 with the Commission by July 1, 1996.

5. With the anticipated filing of the report as outlined in Findings 3 and 4, public convenience and necessity require that the construction identified in Beaver-Elkhorn's application be performed and that a Certificate of Public Convenience and Necessity be granted.

6. The financing plan proposed by Beaver-Elkhorn is for lawful objects within the corporate purpose of its utility operation, is necessary and appropriate for and consistent with the proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose. It should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Beaver-Elkhorn's motion for an Interim Order is granted.
2. Beaver-Elkhorn be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction project as set forth in the drawings and specifications of record herein, provided that Beaver-Elkhorn files the information outlined in Finding 3.
3. Beaver-Elkhorn shall file a copy of the Engineer's report as outlined in Finding 3 with the Commission by July 1, 1996.
4. Beaver-Elkhorn shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), Beaver-Elkhorn shall take immediate action to maintain the

level of service in conformance with the regulations of the Commission.

5. Beaver-Elkhorn shall only install fire hydrants in those instances where the installation complies with the requirements of 807 KAR 5:066, Section 10(2)(b).

6. Beaver-Elkhorn shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

7. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

8. Beaver-Elkhorn shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by the Commission.

9. Beaver-Elkhorn shall require construction to be inspected under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

10. Beaver-Elkhorn shall furnish, within 60 days of the date of substantial completion of this construction, a copy of "as-built" drawings and a signed statement that the construction has

been satisfactorily completed in accordance with the contract plans and specifications.

11. The financing plan proposed by Beaver-Elkhorn be and it hereby is approved.

12. Nothing contained herein shall be construed as constituting approval of any other portion of Beaver-Elkhorn's application.

13. Beaver-Elkhorn's application for adjustments to retail rates is continued generally.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 15th day of September, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director